

Rutherford County, Tennessee

General Fixed Assets

Policies and Procedures

The purpose of this policy is to provide guidelines and regulations for departments of Rutherford County regarding fixed assets. Capitalization of general fixed assets is reported in the financial statements and establishes management control and continuing accountability for fixed assets acquired by county agencies.

Capitalization of general fixed assets, includes land, buildings and improvements, roads and bridges, machinery and equipment, and construction in progress. The amount represented in the financial statements should be documented by an inventory listing supported with detailed records for each asset.

It is also the county's responsibility to ensure proper accountability of certain other purchases made with county funds that do not represent general fixed assets. This policy is to encompass that responsibility for "controllable items".

ADMINISTRATIVE POLICIES

A. Fiscal Responsibility.

1. County Commission/Board of Education:

- a. Provide administrative officials with listings of inventory for which they are held accountable.
- b. Determine policy for proper disposal and transfer of fixed assets and policy for notification to Inventory Control.
- c. Notification to administrative officials of findings related to internal reviews conducted by Inventory Control or external audits conducted by the State/IPA firm of said departments and disposition thereof.

2. Inventory Control Office:

The office of Inventory Control is under the direction of the office of the Finance Director. Inventory Control operates with respect to the duties of the County Commission as an agent of the county, the County Board of Education, which governs the operations of the schools, and the County Highway Department. A full cooperative effort of all parties allows Inventory Control to maintain records in accordance with generally accepted accounting principles.

Areas of Responsibility are outlined below:

- a. Maintain inventory listings of all capital assets reported in the financial statements and of other assets (controllable) determined to be tracked by officials.
- b. Tagging of all assets as determined by this policy and input of all relative information to the computer system.
- c. Removal of tags and retirement of assets from computer records upon proper notification by Purchasing Committee or Board of Education.

A. Fiscal Responsibility (cont.):

2. Inventory Control Office (cont.):

- d. Conduct periodic reviews of all departments to determine that all assets are being properly accounted for.
- e. Prepare annual inventories for all departments of general fixed assets and controllable assets.

3. Administrative Officials

Administrative officials (county officials, principals, supervisors, etc.) are responsible for the custody and maintenance of all assets purchased for or assigned to their office.

- a. Report the theft or loss of property, immediately, to inventory control by phone, to be followed by a letter (or approved form) to the County Executive/Board of education (as appropriate) and Inventory Control. A police report should be obtained on all losses suspected as theft.
- b. Report to the Board of Education (as appropriate) and Inventory Control any assets deemed to be surplus and unneeded by this department for transfer or disposal.
- c. Any transfer or disposal of assets by administrative officials shall be documented in writing to relieve that official of said responsibility.
- d. Allow Inventory Control access to all records necessary to aid in the determining of proper disclosure of fixed assets for reporting purposes.
- e. Designate person(s) for the custody and control of departmental property (departmental property coordinator). The name of this person shall be submitted to Inventory Control for direct communication purposes.

4. Departmental Property Coordinator

- a. Maintain all records of fixed assets and controllable assets accountable to the office. These records would include transfer, disposals, and assets surplus to the county.
- b. Notify Inventory Control of new asset acquisitions not currently tagged.
- c. Reconcile and report differences between annual fixed asset inventory and actual physical inventory to Inventory Control.

ACCOUNTING POLICIES

A. Capitalization:

The following items will be capitalized in the General Fixed Assets Account Group:

- 1. Land
- 2. Buildings
- 3. Building improvements and additions that do not constitute repairs and maintenance.
- 4. Roads and Bridges
- 5. Machinery and Equipment *
- 6. Furniture and Fixtures *
- 7. Construction in Progress

* These items will be subject to a dollar value test and/or life expectancy test. (See D)

B. Cost:

Fixed assets shall be recorded at historical cost or if the cost is not reasonably determinable, at estimated cost. Donated fixed assets should be recorded at their estimated fair value at time received.

1. Actual Cost - this will include not only the purchase or construction cost (which can be obtained through invoice, purchase order and warrant paid files) but also charges necessary to place the asset in its intended location. This includes costs such as freights and transportation, site preparation expenditures, professional fees and legal claims directly attributable to asset acquisition.
2. Estimated Cost - this will be based on as much documentary evidence that can be found to support the cost such as interviews with personnel and price level adjustments for each asset.
3. Donated Cost - these assets will be based on their estimated fair value at a time of acquisition. A determination as to be the fair value basis will be included with property records.

C. Accumulated Depreciation:

Accumulated depreciation will be recorded as required by the **Governmental Accounting Standards Board Statement 34**.

D. *Dollar Value and Life Expectancy Tests

Assets purchased with a dollar value less than \$5,000.00 (Rev. 4/10/2001) and with a life expectancy of less than three years will not be included in the financial statements; however, certain items (**controllable assets**) will be tracked in inventory records for accountability purposes.

E. Operating/Capital Lease Assets

- Assets acquired under operating leases will not be capitalized.
- Capital lease assets will be reflected in accordance with generally accepted accounting principles.

F. Controllable Assets

Controllable assets are assets which do not meet the criteria for a fixed asset but will be included in property management's records for control purposes. Such property would include televisions, computers, printers, and other items as deemed necessary.

G. Asset Reduction

Assets no longer owned by or in the possession of the County shall be removed from the Fixed Assets system

1. Retired - Sold and/or Surplus - these assets will be removed from the capital asset records upon completion of surplus procedure.
2. Missing – Removed from system after two consecutive inventories have been conducted and asset is not located. Missing assets reported to county commission and school board.
3. Transferred to Proprietary or Trust Fund - these assets will be removed from the capital asset records upon formal notification from responsible party and shall be accounted for in that Fund.